

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

MRK.N - Merck & Co Inc Annual Shareholders Meeting

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CORPORATE PARTICIPANTS

Dean Y. Li Merck & Co., Inc. - EVP

Jennifer L. Zachary Merck & Co., Inc. - Executive VP, General Counsel & Corporate Secretary

Kenneth C. Frazier Merck & Co., Inc. - CEO & Chairman

Robert M. Davis Merck & Co., Inc. - President

Thomas Henry Glocer Merck & Co., Inc. - Independent Director

CONFERENCE CALL PARTICIPANTS

John Chevedden

Robert Wotypka

PRESENTATION

Operator

Good morning, and welcome to the 2021 Annual Meeting of Shareholders of Merck & Co., Inc. We do not expect any technical difficulties today. However, in the event that we lose the audio or webcast connection and we are unable to provide any updates, please wait 10 minutes for resolution. Please refer to the company's Investor Relations website for updates.

At this time, I would like to introduce Merck's Chairman and Chief Executive Officer, Ken Frazier.

Kenneth C. Frazier - Merck & Co., Inc. - CEO & Chairman

Thank you, and good morning, ladies and gentlemen. It is my pleasure to welcome all of you to the 2021 Annual Meeting of Merck's shareholders and to call this meeting to order. Due to the ongoing public health impact of the COVID-19 pandemic, we are holding this meeting in a virtual format. I look forward to our time together, even if we're not in person, and I hope you are all safe and well.

I would like to acknowledge that all of our directors nominated for election at this meeting are attending virtually. I would also like to take a moment to express my deepest gratitude to Dr. Thomas R. Cech, who is retiring from our Board today. Since 2009, Dr. Cech has contributed significantly to our company and our Board, and I thank him for his leadership and years of dedicated service.

We're also joined by Merck's Executive Committee, including Robert Davis, President of the company; Dr. Dean Li, President of Merck Research Laboratories; and Jennifer Zachary, General Counsel and Corporate Secretary. Ms. Zachary has informed me that we have a quorum.

Also attending this meeting virtually are Geoff Brzuchalski and Denis Naughter, representing PricewaterhouseCoopers LLP, the independent registered public accounting firm for Merck for 2021, subject to shareholder ratification at this meeting.

Today's agenda as well as the rules of conduct are available in the Meeting Materials section on the virtual meeting website. Also available are the 2021 proxy statement and the 2020 annual report on Form 10-K. Lastly, pursuant to New Jersey Law, a list of all shareholders of record entitled to vote at this meeting is available for all shareholders to view.

Now on to our presentation. For 130 years, Merck has been guided by one clear and compelling mission, saving and improving lives. The COVID-19 pandemic has reinforced the value of our mission, our resolute commitment to innovation and our sustained investments in research and development. We have maintained our focus on 3 key priorities during the pandemic: Supporting the safety and well-being of our employees and their families; sustaining the supply of our medicines and vaccines to our patients and customers; and mobilizing our scientific expertise and experience to contribute to the global response to the pandemic.

We have also invested in the communities that were hardest hit by the pandemic, enhanced our patient assistance programs and supported our clinically trained employees who wished to volunteer in health care settings that face staff shortages. We have committed more than \$30 million in support of global, national and local COVID-19 response efforts. Those efforts have included donations of medicines, personnel protective equipment for health care providers, and funding to nonprofit humanitarian relief organizations responding to the pandemic. In addition, in light of the tragedy unfolding in India, we have committed more than \$10 million to help supply medicines, oxygen generators and other equipment for humanitarian relief efforts there.

Merck is fully engaged in deploying our scientific resources and expertise in response to the COVID-19 pandemic. Although vaccination programs are underway in several countries, it will take some time to inoculate the global population, and emerging variants remain a pressing concern. Developing antiviral medicines that prevent or treat infection is, therefore, a high priority for us and will likely remain so for the foreseeable future. We have focused our clinical program on studying molnupiravir, an oral antiviral medicine, for treatment of infected, high-risk outpatients where unmet needs remain high. We also have entered into nonexclusive voluntary licensing agreement with Indian generic manufacturers to accelerate the availability of molnupiravir in India and other underresourced countries following approvals or emergency authorization by local regulatory agencies.

We recently announced historic agreements with Biomedical Advanced Research and Development Authority and Johnson & Johnson to support efforts to expand manufacturing capacity and supply of much needed SARS-CoV-2 vaccines. We will utilize some of our manufacturing capacity to accelerate production of the Johnson & Johnson COVID-19 vaccine to hopefully help broaden vaccination efforts around the world.

Turning to full year 2020 highlights. Despite the pandemic, which has impeded patients' access to health care, Merck achieved solid growth in revenues and earnings in 2020. Sales grew 4% year-over-year to \$48 billion. Excluding an approximate \$2.5 billion negative impact to our business due to the pandemic, our 2020 sales would have grown an estimated 9% year-over-year. This data is provided on an ex exchange basis. Our performance in this challenging environment reinforces the confidence we have in our science-led strategy and in our potential for strong growth in 2021 and beyond.

Today, we are well positioned as a company to achieve success in 2021 as well as long-term success given our highly talented employees, our scientific expertise, our promising pipeline and our financial and operating strength. We have a robust portfolio of important products across oncology, vaccines, animal health and other areas that we believe will help us sustain strong growth over the next few years. We will continue to invest in our pipeline and capitalize on both internal and external opportunities to create long-term value for patients and customers and for you, our shareholders.

Earlier this year, I announced that I will retire as Merck's CEO, effective June 30, 2021. I will continue to serve on the Board of Directors as Executive Chairman for transition period to be determined by the independent directors of the Board. I thank you, our shareholders, for your support throughout the years and for your confidence in our company. It has been my distinct honor and privilege to serve as the company's CEO for the last decade, and I am confident that I am leaving the company in very good hands with Rob Davis, our President and former Chief Financial Officer.

Rob is an outstanding leader who values our culture of innovation and has deep knowledge of our business and the industry. From the time he joined the company as our CFO in 2014, he has been a valued strategic thought partner to me and the Merck senior management team. And he certainly personifies the values and integrity that are essential for leading Merck forward. With that, I will hand the meeting over to our President and soon-to-be-CEO, Rob Davis.

Robert M. Davis - Merck & Co., Inc. - President

Thanks, Ken, and good morning, everyone. This is Ken's 11th and final Annual Meeting of Shareholders as CEO. All of us at Merck thank him for his profound contributions to our company, to the scientific community and to our patients and customers around the world. Since becoming Chairman and CEO in 2011, Ken has relentlessly focused Merck on research and development as the source of value creation for both patients and shareholders. As a result, our portfolio of innovative products that address important health challenges has greatly expanded with products like our breakthrough cancer medicine, KEYTRUDA; and GARDASIL 9, our vaccine that helps prevent certain HPV-related cancers in both men and women; and ERVEBO, our vaccine to prevent Ebola, which helped contain complex outbreaks in Africa.

Ken has also championed our Merck for Mothers initiative, a \$500 million investment to help create a world where no woman has to die while giving life. And his support for many similar projects and activities has allowed us to be recognized as a true leader in global health. We thank Ken for these and his many other achievements during his tenure at Merck. We wish him success and happiness as he progresses to the next stage of his distinguished career. And we look forward to his continuing counsel as he serves as our Executive Chairman.

I am profoundly honored to serve as our company's President and incoming CEO. Since becoming President, I've been spending time with employees across all levels of the company to better understand our strengths and our opportunities. I'm inspired by the breadth and depth of our talent, the passion that people bring to their work, our overarching commitment to patients and the opportunities that lie ahead. Under my leadership, Merck will continue to pursue solutions to important unmet medical needs. And scientific innovation will remain the source of our energy and value creation.

We are a company of innovators across all aspects of our work: Our state-of-the-art pipeline of medicines and vaccines, our creative digital commercial strategies and our high-quality manufacturing. Innovation is the core of who we are as a company, and patients are at the center of everything we do. This will not change. Also unchanged will be our commitment to ensuring that Merck has the most talented, diverse and motivated workforce, one that is empowered to lead and execute on the substantial opportunities in front of us and that continues to operate with the utmost integrity and ethics that have guided us for 130 years.

As I step into the role of CEO, my initial priorities are clear. First, we have a derisked portfolio of medically important products and a robust pipeline of innovative assets. We must fully focus on executing on these substantial opportunities. Our recent growth has been dampened by effects of the pandemic, but patient access to health care providers is improving, and we continue to expect strong growth this year. The underlying demand we see for our products based on the value they deliver to patients, gives us great confidence in our ability to sustain this growth over the medium term.

Longer term, we must execute on delivering our growing late-stage pipeline and on advancing programs through our expansive early-stage pipeline. We also know we must augment our internal efforts through strategic business development. So we will actively seek to add to our pipeline with differentiated science from external sources. We've been active in this regard. In 2020, we completed more than 120 business development transactions in total. And we've added important assets in 2021, including the acquisition of Pandion Therapeutics with its potentially foundational immunology asset, and our HIV collaboration with Gilead Sciences.

Finally, the health care landscape is evolving, and we must continue to take the necessary steps to help shape Merck into a leaner, simpler and more agile company to ensure we can sustain the investments in R&D necessary to drive our long-term success. The upcoming spin-off of Organon is an important example of that effort, and I'd like to take a moment to discuss this opportunity.

Since we announced the spin-off plans in February of 2020, Merck has been preparing Organon to become a successful independent publicly traded company. Merck has carefully considered the strategic transaction for several years. And we're pleased to see it come to fruition with the appropriate structure, product portfolio and strategy as well as an experienced and very good senior leadership management team. We expect the spin-off to be completed on June 2 with trading to begin on June 3 on the New York Stock Exchange. This transaction will create 2 companies with enhanced strategic focus, improved agility, significant growth potential, simplified operating models and improved financial profiles.

I'm especially proud that we have helped create an important new business with a compelling portfolio and a vital mission with respect to women's health on a global basis. For shareholders, we expect this transaction to create value, resulting in higher revenue growth for Merck and enabling incremental operating efficiencies of approximately \$1.5 billion ratably over 3 years beginning in 2021. Merck will also receive a tax free-dividend from Organon of \$9 billion. This cash infusion will position us to pursue additional value-enhancing business development opportunities. But if these opportunities do not materialize, we will consider returning cash to shareholders through increased share repurchases.

In summary, we believe Merck is well positioned to achieve success long into the future. We remain confident in our ability to execute on the substantial opportunities in front of us and to evolve our model to fit the changing times. We believe this will lead to sustainable growth and increased value for both the patients we serve and for you, our shareholders.

Now to talk more in detail about our efforts in research and development, I'd like to hand the mic over to Dr. Dean Li, our President of Merck Research Labs. Dean?

Dean Y. Li - Merck & Co., Inc. - EVP

Hello, everyone. Thank you, Rob. I'm delighted to be here for my first shareholder meeting as President of Merck Research Laboratories. Our mission to discover, develop and deliver innovative products and services that save and improve lives around the world remains as compelling as ever. And R&D remains central to fulfilling this mission and addressing the needs of the patients we serve.

As a company, we aspire to be the premier research intensive biopharmaceutical company in the world, by leading the way in translating breakthrough biomedical research into meaningful new therapies and vaccines. One measure of our unwavering pursuit of scientific excellence is our prolific contribution to scientific literature. In 2020 alone, Merck scientists authored more than 1,500 publications, many of these in prestigious journals and all of them contributing to advancing science. We have also filed 114 patents.

This pursuit of breakthrough science continues to yield important medicines for patients around the world. In 2020, we continued to build upon our leadership in cancer with further approvals for our PD-1 inhibitor KEYTRUDA as well as our partner therapies, Lenvima and Lynparza.

Moving to vaccines. We expanded indications for our human papillomavirus vaccine, GARDASIL 9 in the U.S. and received an approval in Japan for the prevention of cervical cancer and other HPV conditions in women where it is known as Silgard 9. In addition, we received approvals for ERVEBO. ERVEBO is the first FDA-approved vaccine for the prevention of disease caused by Zaire ebolavirus. I am personally very proud of Merck's leadership in bringing this vaccine forward and deploying it when needed. At a time when the world is focused on COVID-19, we cannot let our guard down in the fight against Ebola and other infectious diseases.

Across our broader pipeline, we gained the first time approval for KOSELUGO for the treatment of children 2 years and older with neurofibromatosis type 1 who have inoperable, noncancerous nervous system tumors. And finally, we continue to build upon our long-term commitment to infectious diseases with an approval for RECARBRIO, our novel 3-drug combination antibiotic for the treatment of hospital-acquired bacterial pneumonia and ventilator-associated bacterial pneumonia in patients 18 years of age and older with certain Gram-negative infections.

Turning to COVID 19. In order to successfully bring the pandemic to an end, we will need both vaccines and therapeutic options. There are currently no oral antiviral therapies known to be effective in fighting the COVID-19 pandemic. There is an evident need for an option that provides a timely means to prevent infected patients from progressing to more serious disease and even death and to reduce the burden on hospital systems.

Last month, we announced interim results from the dose-finding phase of our Phase II/III trial of molnupiravir in both outpatients and hospitalized patients. The outpatient study showed meaningful evidence for the antiviral properties at the 800-milligram dose of molnupiravir. We are now actively enrolling patients with at least one risk factor associated with poor COVID-19 outcomes such as diabetes and obesity in our Phase III trial. Importantly, the trial plans to recruit an additional 1,550 volunteers with a focus in areas of the world where vaccine uptake has been slower, including South Africa and Brazil. Encouraged by these clinical data, we are also initiating a new trial to examine the efficacy of molnupiravir in post-exposure prophylaxis.

So what should you look for in 2021? We have already received FDA approval for VERQUVO following priority review. This new option for certain patients who've experienced progressively worsening chronic heart failure builds on our long legacy of delivering meaningful therapies for patients with cardiovascular disease. We also have several other candidates poised to complete their journey towards registration. Notably, we have already submitted our application to the FDA for the first of our suite of new pneumococcal vaccine candidate, V114. The FDA is currently reviewing our application for use in adults under priority review time lines, and we recently announced positive top line results from the Phase III pediatric studies.

Additionally, the FDA has granted priority review for our application for belzutifan for the treatment of patients with von Hippel-Lindau disease associated renal cell carcinoma. VHL, as it is known, is an inherited disorder characterized by the formation of tumors in multiple organs. We are evaluating belzutifan in multiple renal carcinoma trials. As we expand Merck's oncology arsenal, belzutifan exemplifies what we seek to achieve

with several of our other earlier stage opportunities. Across our oncology portfolio, we are anticipating more than 90 additional indications and approvals through 2028.

And finally, we recently announced FDA acceptance of our filing for gefapixant for adult patients with refractory and unexplained chronic cough, sometimes debilitating and often underdiagnosed condition with no current specific treatment options.

In closing, I wish to acknowledge how grateful I am to Ken for his leadership and commitment to Merck's research engine. In that same spirit, I look forward to partnering with Rob to continue that commitment. I'm confident that our pipeline and our people are poised to create greater patient and shareholder value in the months and years ahead. We are well positioned to continue to take full advantage of our considerable strength in oncology, vaccines and infectious disease while also investing in additional therapeutic areas, exploring new modalities and complementing and supplementing our internal pipeline with external opportunities.

Before I close, I would like to leave you with a video of Danielle, a patient with chronic cough. We hear often from patients who need our work and benefit from our work, and they are a valuable motivator for our researchers. I look forward to sharing further updates with you during the remainder of 2021.

(presentation)

Kenneth C. Frazier - Merck & Co., Inc. - CEO & Chairman

Thank you, Dean. I want you to know that I share your confidence in the contributions that Merck Research Laboratories and our talented scientists will make to human and animal health in the future.

Continuing with the business portion of the meeting, I now ask Ms. Zachary as the Secretary of the meeting to report on our quorum and other matters.

Jennifer L. Zachary - Merck & Co., Inc. - Executive VP, General Counsel & Corporate Secretary

Mr. Chairman, proxies have been received totaling 2,110,633,000 votes or 83.4% of the total votes entitled to be cast. This substantially exceeds the majority required for a quorum. This meeting is held pursuant to the Notice of Annual Meeting that we began mailing on April 5, 2021, to all shareholders of record as of March 26, 2021.

Kenneth C. Frazier - Merck & Co., Inc. - CEO & Chairman

Thank you, Ms. Zachary. In accordance with the resolution of the Board dated March 23, 2021, Michael J. Barbera, a representative of First Coast Results, Inc. was appointed as inspector of election for this meeting and has executed the required oath of office.

The proposals will be presented in the order outlined in the proxy statement. We have 3 management proposals and 2 shareholder proposals. The polls are now open. All Merck shareholders entitled to vote at this meeting have the ability to do so online. Please remember that if you have already voted by proxy, it is not necessary to vote again. If you are a shareholder entitled to vote and have not yet voted or if you want to change your previously cast vote, you may do so via the website used to access this meeting. After voting has been completed on all matters on the agenda, we will close the polls and share the preliminary report of the inspector of election. We will also begin our general question-and-answer period at that time.

(Voting)

Kenneth C. Frazier - Merck & Co., Inc. - CEO & Chairman

The first item of business is the election of directors. The Board's nominees for terms expiring in 2022 are Leslie A. Brun, independent lead director; Mary Ellen Coe; Pamela J. Craig; Ken C. Frazier, as Chairman of the Board; Thomas H. Glocer; Dr. Risa J. Lavizzo-Mourey; Dr. Stephen L. Mayo; Dr. Paul B. Rothman; Patricia F. Russo; Dr. Christine E. Seidman; Inge G. Thulin; Kathy J. Warden; and Peter C. Wendell. I note for the record that no nomination for director has been properly made in advance of this meeting by any shareholder of the company.

We turn now to a proposal to approve by a nonbinding advisory vote the compensation of our named executive officers. The Board of Directors recommends a vote for this proposal.

The next item of business is a proposal to ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for 2021 as set forth in the proxy statement. The Board of Directors recommends a vote for this proposal.

We now come to the shareholder proposals. Each shareholder will be given 3 minutes to present their proposals. Shareholders should restrict their comments to the proposal before the meeting at that time. The first shareholder proposal is from Mr. Kenneth Steiner and concerns shareholders' right to act by written consent. If Kenneth Steiner, John Chevedden or a representative is on the line, I would now ask the operator to unmute their line to allow them to present this proposal.

John Chevedden

Hello. This is John Chevedden. Can you hear me okay?

Kenneth C. Frazier - Merck & Co., Inc. - CEO & Chairman

Yes, Mr. Chevedden.

John Chevedden

Proposal 4, shareholder right to act by written consent. Shareholders request that our Board of Directors take the necessary steps to permit written consent by the shareholders entitled to cast the minimum number of votes that would be necessary to authorize an action at a meeting at which all shareholders entitled to vote thereon were present and voting.

This proposal topic won our 42% support at the 2020 Merck Annual Meeting. This was close to a majority vote or more than a majority of vote from the shares that have access to objective proxy voting advice. Management claims that it has a shareholder outreach program, but apparently this outreach program made no attempt to see whether the 42% support was majority support from the shares that have access to objective proxy voting advice. Management is getting a free ride on the backs of the small shareholders who do not have access to objective proxy voting advice and are then forced to rely on the self-serving management resistance to this proposal.

Taking action by written consent in place of a meeting is a means shareholders can use to raise important matters outside the normal annual meeting cycle like the election of a new director. For instance, 3 Merck directors were rejected by more than 100 million votes each in 2020. Ms. Patricia Russo came close to 200 million votes of rejection. Then there was Mr. Leslie Brun, Lead Director, with 143 (sic) [143 million] votes of rejection. Mr. Kenneth Frazier, Merck Chair and CEO, also received more than 100 million votes of rejection. Ms. Russo and Mr. Brun also make up the Hewlett Packard alum faction on the Merck Board.

Management claims it has a shareholder outreach program, but what good is it since management may have been clueless until these enormous against votes were counted. Contrary to the ill-informed management text next to this proposal, written consent is a super democratic process. Because if a shareholder does not support the written consent topic, the shareholder does not have to do anything and accounts as an against

vote. This is in contrast to the shareholder meeting today where shareholder support or shareholder opposition counts for nothing unless the shareholder makes the effort to vote.

The shareholders supporting written consent could only accomplish something if 70% of the shares that normally vote at our annual meeting give approval. In resisting this proposal, management is opposed to listening to the voice of 70% of shares. And management now suspiciously claims that it is more in favor of a special shareholder meeting at a time that shareholder meetings are losing their impact with the onslaught of online shareholder meetings. For instance, the 2021 Kohl's annual meeting was 9 minutes. An example of a near total dominance that management can now display at a shareholder meeting is AT&T, which would not even let shareholders speak at 2 consecutive online shareholder meetings. Please vote yes, shareholder write to act by written consent, Proposal 4.

Kenneth C. Frazier - Merck & Co., Inc. - CEO & Chairman

Thank you, Mr. Chevedden. The Board has carefully considered the shareholder proposal concerning shareholders' right to act by written consent and believes adopting such a proposal is not necessary in light of our current governance structures, and would not enhance shareholder value. Specifically, the shareholder protections and strong corporate governance practices we already have in place protect the interest of all shareholders in a fair and balanced manner.

Our bylaws allow holders of as little as 15% of the company's stock to call special shareholder meeting. We believe our 15% threshold is lower than the thresholds at a majority of S&P 500 companies that afford shareholders the right to call a special meeting. In addition, Merck shareholders have a proxy access right permitting a group of as many as 20 shareholders who have held at least 3% of the outstanding shares for at least 3 years to nominate individuals representing up to 20% of the Board.

Actions taken by written consent could disenfranchise shareholders by depriving them of the critical opportunities to receive notice, assess, discuss and vote on the merits of proposed actions. Requiring, as we do, that all shareholder action be taking at an annual or special meeting to which all shareholders are invited, ensures that all shareholders have a voice in critical matters affecting the company. It also ensures that all shareholders have a meaningful and structured opportunity to exchange views with the Board before acting. For more information regarding the Board's position on this proposal, please see the Board's full statement in opposition, which is available on Page 81 of the company's 2021 proxy statement. The Board of Directors recommends a vote against this proposal.

The last shareholder proposal is from The Province of Saint Joseph of the Capuchin Order of Milwaukee, Wisconsin and other co-filers and concerns access to COVID-19 products. If Robert Wotypka or a representative for The Province of Saint Joseph of the Capuchin Order is on the line, I would now ask the operator to unmute his line to allow him or his representative to present this proposal.

Robert Wotypka

Good morning, Mr. Frazier. Good morning, shareholders, other attendees. Am I being heard?

Kenneth C. Frazier - Merck & Co., Inc. - CEO & Chairman

Yes, and good morning, Mr. Wotypka.

Robert Wotypka

Thank you, Mr. Frazier. I am a friar of The Province of Saint Joseph of the Capuchin Order. Along with co-filing investors who are members of the Interfaith Center on Corporate Responsibility, I present item 5.

With more than 0.5 million cases still being recorded worldwide daily, COVID-19 is unlikely simply to go away. Instead, it's likely to become like the flu virus and require the use of therapeutics in some patients. Dr. Celine Gounder of the NYU Grossman School of Medicine and Bellevue Hospital Center put it this way at a recent hearing of the Congressional Joint Economic Committee, "We need to develop more drugs to prevent severe COVID and to treat COVID, including post-acute sequela of SARS-CoV-2 infection. These drugs need to be affordable and deliverable at scale. People will be getting sick and hospitalized from COVID for years to come. We need better tools at our disposal."

Merck's work and, it is hoped, its success is critical. We are distressed by the inequitable access to COVID-19 vaccines globally. President Biden invokes the Defense Production Act on March 2, 2021, to expedite Merck's collaboration with Johnson & Johnson. Clearly, governments must address the moral need for vaccine and therapeutic equity, but pharmaceutical companies have a critical responsibility here too. Given the lack of current access to vaccines in low and middle-income countries, therapeutics are even more important in those places. Merck does not disclose whether or how it considers the role played by public funding in expediting the development of therapeutics and reducing the risk associated with scaling up manufacturing and making decisions affecting access. These decisions include pricing and the sharing of technical know-how and intellectual property to address supply challenges.

The pandemic reminds us all of our interdependence and our responsibilities to care for one another. Each of us can be safe only when all of us are safe. If one part of the world is left to suffer the pandemic, all parts of the world will be put at ever-increasing risk. Justice and equity must be foundational to Merck's decision affecting access to life-saving therapeutics. At some point following this meeting, we would welcome the opportunity to speak with a member of the Board about this resolution. I urge fellow shareholders to support item 5. Thank you.

Kenneth C. Frazier - Merck & Co., Inc. - CEO & Chairman

Thank you, Mr. Wotypka. The Board has carefully considered the shareholder proposal regarding access to COVID-19 products and recommends you vote against it. The Board believes the shareholder proposal is duplicative and unnecessary since the company has existing practices and disclosures regarding access to its products and pricing. And the company has no approved treatment for SARS-CoV-2 COVID-19 and has not yet received public financial support to date for the investigational therapeutic for SARS-CoV-2 COVID-19 that we are developing.

Merck has a long track record of making its vaccines and medicines accessible and affordable globally, as seen with the Ebola outbreak response. Our access to help guiding principles guide the company's enterprise-wide approach to access, while responsive to internationally recognized standards and priorities and ensure the company fulfills its commitment to access as a core company value. Merck remains committed to ensuring that any treatment we develop for SARS-CoV-2 will adhere to these principles. For more information regarding the Board's position on this proposal, please see the Board's full statement in opposition, which is available on Page 83 of the company's proxy statement. The Board of Directors recommends a vote against this proposal.

Since this completes the proposals, I declare the polls officially closed.

Now we turn to the general question-and-answer portion of our meeting. We want to thank you for the many questions submitted online. We have selected a few that are representative of topics pertinent to matters on the agenda, and while we won't get to all of them, we will try to cover as many as we can over the next 15 minutes. We will not address questions that are irrelevant to the business of the company, require a discussion of matters viewed by the company as confidential, relate to personal grievances or referenced to individuals or that are otherwise disrespectful or not of a matter of interest to shareholders generally. If we run out of time for a question or topic and you've provided your contact information when you submitted your question, we will try to follow-up with a response.

QUESTIONS AND ANSWERS

Kenneth C. Frazier - Merck & Co., Inc. - CEO & Chairman

Our first question is from Dr. [Everett Harper]. And it is, why don't you require Board members to hold direct ownership of a minimum amount of common shares?

The answer is that we do require directors to have a minimum common stock ownership level. Specifically, directors must attain a target Merck common stock ownership level having a value equal to 5x the annual cash retainer within 5 years of joining the Board or soon thereafter as practicable. Deferred stock units held in Merck common stock accounts under the director's deferral plan are counted towards the target goal. As of December 31, 2020, all directors serving at least 2 years had either met or exceeded the stock ownership requirements.

Dr. Seidman and Ms. Warden joined the Board effective March 16, 2020. Dr. Lavizzo-Mourey joined the Board effective May 26, 2020, and Dr. Mayo, joined the Board effective March 15 of this year. Each of these directors is making progress towards meeting the stock ownership guidelines. And thank you for the question.

The second question is from [Javier Figueroa]. And it is, how and when will we be -- will the split of Merck's shares into Merck and Organon shares? Are there an estimated value of the new Merck Organon shares?

The answer is, on May 7, Merck's Board of Directors approved the separation of Organon & Co., and declared a special dividend distribution of 1/10 of a share of Organon common stock for every Merck common share outstanding as of the close of the business on May 17, 2021, which was the record date for the distribution. Organon will not issue fractional shares of its common stock in the distribution. Instead, holders of Merck common shares will receive cash in lieu of any fractional shares of Organon common stock that they would otherwise be entitled to. Merck expects the special dividend of Organon stock will be distributed on June 2, 2021. Organon is expected to commence trading on the New York Stock Exchange under the ticker OGN the following day, June 3, 2021.

Our next question is from [Anthony Cox]. And it is, why does Merck and other large corporations need so many directors?

While I can't speak for other companies, but for Merck, our Board is focused on having the right mix of skills, perspectives and experiences to address both Merck's current needs as well as the anticipated needs as the opportunities and challenges Merck faces evolve. Our bylaws require a Board of Directors consisting of between 10 and 18 directors. For us, though, it's not a particular number that's the main focus. We have always believed in the business value of having diverse perspectives in the boardroom, and we have been intentional in doing so. On a related point, we're often asked by shareholders about the diversity of our Board. Our 13 directors include 4 African-Americans and 6 women. They possess varied skills and experiences, including scientific medical, financial, CEO, public policy and regulation, talent management and global strategy and operation skills. As an example, we have 3 MDs and a PhD on our Board. I believe that the composition of our Board reflects our commitment to embracing diversity of experiences and perspectives.

Our next question is from [Paul McGovern]. And it is, is there a Board of Directors' policy prohibiting existing officers for making political statements or signing letters on political issues while presenting themselves as officers of the company? If not, why not?

Many shareholders have asked about this topic, and I think it is a very fair question to ask. There is no Board of Directors' policy prohibiting existing officers for making political statements. But let me take the opportunity to explain how I view this. Interestingly enough, Fortune magazine recently conducted a survey asking CEOs whether they feel they should speak out on issues important to society. The CEOs were split right down the middle, half saying yes, and half saying no. I think that reflects how society as a whole feels about these kinds of issues.

Speaking personally, I try to be thoughtful about when I engage, and I don't feel the need to speak to every issue out there. However, there are certain fundamental matters impacting our society that I feel I can't remain silent on. In my view, these are not partisan issues, they are issues important to all Americans. Some are critical of CEOs who stand up on social or political issues, thinking it can risk shareholder value. At other times, companies are criticized by some customers and shareholders for remaining silent. But increasingly, people are looking to businesses to lead the way. The latest Edelman Trust Barometer showed that business is not just more trusted than government, media and nongovernmental organizations, it is also the only institution seen as both ethical and competent. At times, I believe it is expected that we should take a position on certain matters that are of vital importance to our democratic society. Thank you for this important question.

Our next question is from [David Korkowski]. And it is, why is CEO compensation roughly 3x that of any other company executive?

For this question, I will hand it over to Tom Glocer, the Chair of our Compensation and Benefits Committee, to respond.

Operator, will you please unmute Tom Glocer's line?

Thomas Henry Glocer - Merck & Co., Inc. - Independent Director

Can you hear me now, Ken?

Kenneth C. Frazier - Merck & Co., Inc. - CEO & Chairman

Yes, Tom.

Thomas Henry Glocer - Merck & Co., Inc. - Independent Director

Thank you, Mr. Korkowski, for that question. One of the key responsibilities of our Compensation and Benefits Committee is to establish and maintain a competitive portfolio of executive compensation and benefits programs designed to attract, motivate and retain the talent necessary to execute the company's long-term strategic plan. Our executive compensation programs are principally designed to reward executives based on the achievement of company and individual performance objectives which, as a whole, are intended to drive sustainable long-term value creation for shareholders and reflect and maintain our position as an industry leader in the development of innovative medicines.

The compensation level of our executive officers are assessed annually for competitiveness relative to 2 well-established peer groups. Our competitive positioning is targeted to the median of the market and actual compensation levels are set based on a series of factors, including scope and complexity of role, sustained performance and overall leadership. In addition, a significant portion of compensation paid to our executives is variable and directly linked to company and/or stock price performance. For 2020, approximately 92% and 81%, respectively, of the CEO's and other officers' annual target total compensation was variable.

Thus, returning to your specific question, Mr. Korkowski, Ken's salary was set at approximately 1.5x that of his next 2 reports. And the remainder of the difference came in the form of performance-related incentives of bonus and equity awards to better align executive pay and the creation of long-term shareholder value. Thanks, again, for your question. And back to you, Ken.

Kenneth C. Frazier - Merck & Co., Inc. - CEO & Chairman

Thank you, Tom. Our next question is from an anonymous shareholder. And it is why is the Merck share price lagging compared to similar big pharma companies? What are you doing about it?

For this question, I would like to hand it over to my successor, Rob Davis. Rob?

Robert M. Davis - Merck & Co., Inc. - President

Ken, thanks for the question. We recognize that your view on stock performance will depend on the time frame that you're looking at. Over the longer periods of time, our stock has appreciated, reflecting the strength of our operational execution, and has performed roughly in line with our peers. While underlying demand for our products remain strong, more recently, as we've acknowledged, due to the nature of our products, the pandemic has impacted our business more significantly than others. With the rollout of the COVID vaccines, however, we've seen signs of improving patient access, and we believe the impact we've experienced will be transitory.

As we look to the future, over the next 5 years, we expect strong revenue growth based on demand for our innovative, derisked and visible in line assets, including KEYTRUDA, GARDASIL, Lynparza, Lenvima and animal health. When we look out to 2024, we believe our revenue growth remains underappreciated. Beyond 2024, our strong mid and late-stage pipeline will drive continued success. V114, islatravir, gefapixant, VERQUVO and vaccines, such as PCV, RSV and dengue, all represent medically significant and potentially sizable opportunities. Further in the medium term, we

will continue to execute on our broad oncology pipeline, including studying KEYTRUDA in combinations, co-formulations and new delivery methods to improve patient impact.

And we have many other oncology assets brought in through business development, including belzutifan, multiple ADCs and a BTK inhibitor as well as more than 25 internally developed novel mechanisms. Long term, our reinvigorated discovery research engine will generate additional breakthroughs to treat unmet medical needs. And we will maintain a capital allocation strategy that is balanced, including investments in value-creating business development to further augment our pipeline with the best external science as well as our dividend. Finally, we are also evolving our operating model to become a leaner, more focused and efficient, science-driven company to accelerate growth and innovation. We firmly believe innovation is the source of long-term value creation for both patients and shareholders. Ken, thanks for the question.

Kenneth C. Frazier - Merck & Co., Inc. - CEO & Chairman

Okay. Thank you, Rob. Our next question is from an anonymous shareholder. And it is, considering that one of the pillars of Merck is and will continue to be vaccines, how are you planning to accelerate development? For this question, I will hand it over to Dean Li, President of MRL.

Dean Y. Li - Merck & Co., Inc. - EVP

Thank you, Ken. The remarkable pace of development of SARS-CoV-2 COVID-19 vaccines and medicines is good news for our industry and for society. And it is the direct result of sustained investments in research and development by the research-based pharmaceutical industry, biotechnology companies, academia and government. We applaud these efforts. They must continue. An important factor in the development of the 2 leading COVID-19 vaccines was a successful validation of mRNA technology. It is encouraging that mRNA works in SARS-CoV-2 given the need and the desire to have multiple approaches to vaccine development.

The mRNA vaccines have proven to be fast and scalable, but could present challenges when applied to diseases with more than 1 strain and that require multivalent vaccines, such as HPV with GARDASIL or pneumococcal pneumonia. As I mentioned during my presentation, we have submitted our application to the FDA for the first of our suite of new pneumococcal vaccine candidate, V114. The FDA is currently reviewing our application for use in adults, and we recently announced positive top line results for V114 from our pediatric studies. We believe that vaccines will help us sustain strong growth over the next few years, and we will continue to evaluate several additional vaccine candidates. Ken?

Kenneth C. Frazier - Merck & Co., Inc. - CEO & Chairman

Thank you, Dean. Our next question is from [Martin Tee]. And it is, when will Merck commit to a net 0 plan for their carbon emissions?

On April 26, we announced our plans to accelerate our climate action goals, building on our long-standing efforts to protect and preserve the planet and the communities where we live and work. The goals include achieving carbon neutrality across our operations by 2025, reducing value chain emissions 30% by 2030, by continuing to engage with suppliers to reduce their emissions, promoting opportunities for suppliers to source renewable energy and using existing procurement and supply chain processes to drive additional strategies to decrease emissions, accelerating by 15 years our previous 2040 goal of sourcing 100% renewable energy for purchased electricity. In support of this goal, we recently signed 3 new virtual power purchase agreements, which provides significant amount of carbon-free energy from solar and wind.

So being mindful of the time, unfortunately, we won't be able to answer any more questions. But as I said, we will try to respond to your questions if you are identified with your questions, and thank you very much for the questions that were submitted.

So with that, let's proceed with the rest of the meeting. The final report of the inspector of election will not be available today. We do, however, have a preliminary report, which I will now ask Ms. Zachary to present.

Jennifer L. Zachary - Merck & Co., Inc. - Executive VP, General Counsel & Corporate Secretary

Mr. Chairman, the inspector of election has presented his preliminary report. He's determined that each of the 13 directors nominated by the Board has been elected by a majority of the votes cast, and the Audit Committee's request for ratification of PricewaterhouseCoopers LLP as the independent registered public accounting firm has been approved. Shareholders also approved, by a nonbinding advisory vote, the 2020 compensation of our named executive officers. The proposal received an affirmative vote of 89.97% of the total votes cast.

The inspector has also determined that the shareholder proposal concerning shareholders' right to act by written consent has received an affirmative vote of 39.47% of the total votes cast. And the shareholder proposal regarding access to COVID-19 products has received an affirmative vote of 32.96% of the total votes cast. A majority of the votes cast was required for each of the proposals to be approved.

The final results will be available Friday on the company's toll-free telephone number, 1 (800) 225-5675 and also on the company's website, www.merck.com under the Investors tab, along with an archived recording of this meeting. We also intend to disclose the final results on Form 8-K within 4 business days of this meeting. Thank you.

Kenneth C. Frazier - Merck & Co., Inc. - CEO & Chairman

Thank you, Ms. Zachary. And with that, the business of this meeting has now been completed. I want to thank you very much for attending Merck's 2021 Annual Meeting of Shareholders, and to say, again, thank you for all your support you provided me in 10 years as Chairman and CEO of this remarkable company composed of remarkable human beings. We look forward to seeing you next year in person, and until then, stay safe and healthy. Goodbye.

Operator

This concludes the meeting. You may now disconnect.

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